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STATE FOR EUR/WE, KATHLEEN ALLEGRONE AND ANDREW YOUNG;
P FOR HERRO MUSTAFA; NEA/IR
TREASURY FOR DANIEL GLASER AND COLLEEN EDDY

E.O. 12958: DECL: 05/16/2017
TAGS: [PREL](#) [UNSC](#) [ECON](#) [EFIN](#) [KNNP](#) [ETTC](#) [IR](#) [IT](#)
SUBJECT: ITALIAN REQUEST AT UN TO UNFREEZE BANK SEPAH ROME
ASSETS

REF: A. YOUNG-DELARE EMAIL 05-14-07
[B](#). ROME 971
[C](#). 05 ROME 3890

Classified By: Economic Minister Counselor Tom Delare
for reasons 1.4 (b) and (d).

BACKGROUND

[1](#). (S/NF) Embassy contacted the Ministry of Finance's Office for the Prevention of Financial Crimes to learn more about the GOI proposal at the UN to unfreeze Bank Sepah Rome branch liquid assets. In particular, we inquired about plans to a) cover current expenses (e.g., utilities, legal and Bank Sepah Rome staff costs, and taxes); and b) pay Bank Sepah Rome's creditors, depositors, and customers -- provided that "(the expenses) do not follow from contracts relating to activities prohibited by UNSCRs 1737 and 1747 and that the payments effected by the branch are not received directly or indirectly by a person or entity designated pursuant to the Resolutions."

[2](#). (S/NF) Italy would like to use the "Hotel Nasco" case as a possible model to treat Bank Sepah Rome and to avoid having to pay back wages to local employees and amounts due to creditors. (Note: In the case of Hotel Nasco, the United States and Italy agreed that, should the hotel be closed, innocent hotel employees and the local economy would suffer because of terrorist finance activities of Nasco's owner, Ahmed Idris Nareddin, listed as a terrorist financier under UNSCR 1267. To preserve the employment of the staff, but to ensure that the hotel did not knowingly or unknowingly contribute to the owner's alleged illegal practices, the GOI set up one account, monitored by the central bank, through which all the hotel's income and expenditures would flow, including to hotel creditors and for staff wages. End note.)
End Background.

EMBASSY VIEWS ON THE GOI PROPOSAL

[3](#). (S/NF) The Bank of Italy earlier told us that Bank Sepah Rome is little more than a shell, with only a few million euros in frozen, liquid assets (ref B). The GOI agrees that Hotel Nasco's Nasreddin and Bank Sepah are international pariahs; but in our view, the similarity ends there. Italy's suggestion to use the Hotel Nasco case as a precedent is

misleading, because in the Hotel Nasco case, it was the rogue owner who was guilty of financing terrorism. In the Bank Sepah case, it is the institution of Bank Sepah which is culpable, not a single officer. Thus, using the Hotel Nasco treatment as a precedent to keep Bank Sepah's Rome branch operating is specious in our view.

¶4. (S/NF) It is possible that cutting off payments to Bank Sepah Rome staff could be portrayed in the media as unjustly punitive. We note that this is a society where loss of employment garners much more sympathy and generates more political interest than in many other countries, the U.S. included. Regardless of our official view on that rather narrow issue, the Mission for some time has been stressing to the GOI that a message should be conveyed to the business community regarding the dangers of doing business with Iran. Hence, a restricted use of Bank Sepah Rome assets solely for employees could be instructive to those firms unwilling to see the reality of Iran's behavior.

¶5. (S/NF) While Washington agencies will take all into account in deciding whether to support the Italian suggestion of using Hotel Nasco as a precedent, it still seems to us that the USG would want to see the branch shut down, and not to continue to exist in Rome as a symbol of Teheran's defiance of the west. In our view, squeezing the bank through UN sanctions to the point of liquidation and closure -- and convincing Italy also to do so -- is our best option to ensure that Italy eventually shuts down Bank Sepah Rome.
Spogli